

Message Text

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43

ACTION EB-11

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 7314

INFO AMEMBASSY TEHRAN

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E. O. 11652 NA

TAGS: ENRG BE

SUBJECT: LANNAYE REFINERY CONTROVERSY

REF: BRUSSELS 5082

1. A BELGIAN COMPANY, IRANIAN- BELGIAN REFINING AND MARKETING COMPANY (IBRAMCO) WAS CREATED ON MARCH 12, 1973, TO UNDERTAKE FEASIBILITY STUDY ON AND EVENTUALLY TO CONSTRUCT AND MANAGE A REFINERY AT LANNAYE, NEAR LIEGE. OF THE BF 6 MILLION CAPITAL, THE NATIONAL IRANIAN OIL COMPANY, (NIOC) WILL HOLD BF 5,994,000 BUT PROVISION WAS MADE FOR ACQUISITION OF 49 PERCENT OF THE INITIAL CAPITAL BY " OTHER PARTIES", PRESUMABLY BELGIAN. OF THE EIGHT DIRECTORS, FOUR ARE BELGIAN.

2. NEW COMPANY HAS BEEN SUBJECT OF EXTENSIVE CRITICISM BY LOCAL PRESS WITH EXCEPTION SOCIALIST PARTY DAILY LE PEUPLE. CRITICISM INVOLVES BOTH ECONOMIC FEASIBILITY AND HEAVY INVOLVEMENT OF SOCIALIST POLITICAL PERSONALITIES FROM LIEGE AREA. ALL FOUR BELGIANS APPOINTED TO BOARD OF DIRECTORS (INCLUDING CONTROVERSIAL MINECON AFFAIRS SECRETARY- GENERAL ANDRE BAEYENS) ARE GOVERNMENT OFFICIALS AND PROMINENT

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MEMBERS SOCIALIST PARTY, AND PRIME MINISTER LEBURTON AS EVINCED PERSONAL INTEREST IN PROJECT SINCE HIS DAYS AS ECONONMIN. BRUSSELS DAILY LIBRE BELGIQUE POINTED OUT THAT IBRAMCO CHARTER RESTRICTS POSSIBLE REFINERY TO LIEGE AREA, SHARPLY NOTED AFFAIR SMELLED OF GOVERNMENT BY SOCIALCLIQUE.

3. NON- SOCIALIST MEMBERS OF GOVERNMENT, PARTICULARLY VICE PRIME MINISTER AND FINMINISTER DE CLERCQ, REPORTEDLY DISPLEASED OVER PROJECT. ACCORDING TO PRESS REPORTS IBRAMCO CHARTER WAS SPRUNG AT PREEASTER WEEKEND CABINET MEETING ATTENDED BY ONLY ONE MINISTER. DE CLERCQ LEARNED ABOUT COMPANY'S CREATION FROM PRESS REPORTS AND HAS STATED PUBLICLY HIS INTENTION TO ASK LEBURTON FOR AN EXPLANATION. GRAFE, MINISTER FOR WALLOON AFFAIRS, HAS EXPRESSED STRONG CRITICISM OF PROJECT TO AMBASSADOR, POINTING OUT THAT NEW CHEVRON REFINERY AT FELUY ALREADY BARELY BREAKING EVEN. ALSO MENTIONED THAT LANNAYE REFINERY WOULD USE ROMANIAN TECHNICIANS ON PROJECT.

4. LIEGE PROPOSAL HAS BEEN IN AIR FOR SOME TIME; AMOCO IN PARTICULAR AMONG OTHER PETROLEUM COMPANIES HAS DONE FEASIBILITY STUDIES ON PROJECT. ECONOMIC FEASIBILITY STILL MOOT POINT AS NO AGREEMENT ON ASSUMPTIONS EVER REACHED (E. G. NECESSITY FOR CRUDE PIPELINE FROM ANTWERP, FOR REFINED PRODUCTS PIPELINE BACK TO ANTWERP, EXTENT GOVERNMENT WILL GUARANTEE APTIVE MARKET IN LIEGE PROVINCE, AMOUNT AND TYPE OF GOVERNMENT SUBSIDIES). PRIVATE COMPANIES HOWEVER ALL DECLINED PARTICIPATE ALTHOUGH SEVERAL BELIEVE PROJECT VIABLE IF APPROPRIATE GOVERNMENT GUARANTEES OBTAINED. HOWEVER, PROPOSAL CONFLICTS WITH EXISTING INSTALLATIONS AND ONGOING PROJECTS FOR MOST (E. G. EXXON EXPANSION IN ANTWERP). DESPITE PRIVATE COMPANY DISINCLINATION, LIEGE SOCIALISTS DETERMINED IMPLEMENT PROJECT BY JOINING WITH IRANIANS.

5. THE REFINERY ISSUE PROMISES TO BECOME MORE HEATED AND SERIOUS IN WEEKS AHEAD. GRAFE HAS INFORMED THE AMBASSADOR THAT IT WILL BE DISCUSSED IN PARLIAMENT NEXT WEEK. PITTING THE SOCIALISTS AGAINST ITS COALITION PARTNERS, THE CONTROVERSY IS LIKELY TO TEST THE COHESIVENESS OF THE GOVERNMENT. STRAUSZ- HUPE

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